# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1452
ANSWERED ON:16.07.2004
LIBERALISED FDI POLICY
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**Will the Minister of FINANCE be pleased to state:**

(a) Whether the Union Government propose to come out with a liberalised FDI policy;

(b) if so, the details thereof;

(c) whether there is a fall in investment growth and rise in unemployment during the past few years; and

(d) if so, the extent to which FDI is going to boost investment growth and creation of large scale employment avenues in the country?

## Answer

Minister of State in the Ministry of Finance (Shri S. S. Palanimanickam)

(a)& (b) Government has put in place a liberal and transparent Foreign Direct Investment (FDI) policy and most sectors have been placed under the automatic route except for a small negative list. FDI upto 100% is permitted on the automatic route for most activities/sectors except for a few sectors where caps have been prescribed.

In the Budget speech for 2004-05, Finance Minister has proposed to raise the sectoral cap for FDI in telecommunication from 49 percent to 74 percent; in civil aviation from 40 percent to 49 percent; and in insurance from 26 percent to 49 percent.

(c): Gross domestic investment as per cent of GDP at current market prices declined from 26.9 per cent in 1995-96 to 22.6 per cent in 1998-1999. Although it increased to 25.2 per cent in 1999-2000, it again declined to 24 per cent in 2000-01 and further to 23.7 per cent in 2001-02. Decline was due to decline in both public and private investment ratios to GDP. The absolute number of unemployed increased from 20 million in 1993-94 to 27 million in 1999-2000. Also, the incidence of unemployment, (expressed in terms of unemployed as a percentage of the labour force) increased from 5.99% in 1993 − 94 to 7.32 percent in 1999-2000. However, employment growth in all the sub-sectors within services, exceeded 5 percent per annum.

(d): FDI supplements domestic investment and thus helps in boosting overall output and employment.